

**STATE OF THE FEDERATION ADDRESS  
BY  
HIS EXCELLENCY PRESIDENT EMANUEL MORI**

May 12, 2008 AT 10:00 A.M.

---

Uwa mochen uwei ach kapong en ai fansoun,  
"Tirow me Fairo NAPANAP"  
Fiti ach en netin Soufon me mennin  
Ngeni Samach Kot won neng  
Puan ngeni ami chechiach me  
Atongach meinisin

Speaker Figir and Honorable Members of the 15th FSM Congress  
Vice President Alik  
Chief Justice Amaraich and Associate Justices of the FSM Supreme Court  
President Haglelgam, President Nena, President Falcam and President Urusemal  
Vice President Ismael and Vice President Killion  
Speaker Henry, Speaker Fritz and Speaker Christian  
Governor Simina, Governor Anefal, Governor Weilbacher and Governor Ehsa  
Dean and Members of the Diplomatic Corps  
National and State Officials  
Members of the clergy, private sector and NGOs  
Families and friends and my fellow citizens,

Good Morning to you all.

As I stand before you today on the occasion of the first year anniversary of this administration, I want to begin by giving praise and gratitude to the almighty, our heavenly father, for his grace, his love, and for his kindness. I want to thank the almighty God for welcoming the souls of our beloved ones who have departed and for caring for us the living. Vice President Alik and I, as well as our families are ever humble and grateful for the many blessings bestowed upon us and for the opportunity to serve at the helm of our nation. Thank you very much indeed and I hope you will continue to remember us in your prayers. We do need your prayers and guidance.

Please allow me to pay my personal respect and courtesies to our traditional leaders, our elder statesmen and other community leaders throughout the federation. In particular, my special recognition to the traditional leadership of Pohnpei, the host state of our nation's capitol.

I would also like to thank and extend courtesies to the 15th Congress, through you Mr. Speaker, for inviting me to give the State of the Federation address today. To me personally, this is a historic occasion, and I am truly grateful and appreciative of your kind consideration especially during the first year of our administration.

It is my earnest hope that this address this morning is only one of the many occasions where we can further strengthen and solidify the bonds of cooperation and friendship that we have enjoyed together as public servants. The people of this nation expect no less from us.

May I also thank our development partners and friends, the United States, Japan, the People's Republic of China and Australia for their generosity and support. With our special relations with the United States through the Compact of Free Association, I want to take this occasion to reiterate the importance that we attach to our U.S. treaty relations. The FSM Government takes

great pride in the special relationship which has sustained us, enriched us, and has made us a strong small island democracy in the Western Pacific.

We cannot mention our Compact relations without recognizing with pride and gratitude the service of about 1,000 of our young men and women on active duty in the United States Armed Forces. Many of them are in harm's way in Iraq and Afghanistan. Some have suffered grave wounds and some have paid the ultimate sacrifice, giving their lives in service for our freedom and freedom around the world. We salute them all and their families.

It is my intention my fellow citizens and friends to up date and to inform you of what this administration has accomplished in its first year in office in terms of our successes, as well as, how we as a Nation will face the remaining challenges.

But, let me make it very clear at the outset, Mr. Speaker, that the successes, and the remaining challenges for that matter, are all ours together. The accomplishments for these past 12 months are a result of our good working relationship with the Congress, as well as all our leaders in the Federation. Vice President Alik and I will continue to view our collective successes from that perspective. I thank the leadership of our nation, at all levels, for your support and contributions.

*Mr. Speaker and my fellow citizens and friends,*

With the support of Congress, I am pleased to inform you that our re-organization of the Executive Branch of your national government is now in place, reflecting the commitments I made during my inaugural address. All the department secretaries and office directors are in office, the only remaining are those of board members of our independent agencies and authorities. I thank you, Speaker Figir and members of the 15th Congress for your support, and I am looking forward to working with you to ensure that the remaining vacancies are filled and completed.

Under the re-organization, the new departments and offices are functioning well, performing their assigned duties and responsibilities. These are the Department of Health and Social Affairs, Department of Education, Office of Statistics, Budgeting, Overseas Assistance, and Compact Management, known as (SBOC), Office of Environment and Emergency Management known as (EEM), and Office of National Archives, Culture, and

Historic Preservation known as (NACH). As newly created departments and offices, we will continue to monitor their performances and make adjustments and fine-tuning where necessary so that we can maximize efficiency.

As guiding principles of the re-organization, we have streamlined the departments' and offices' duties and responsibilities for greater focus. We have upgraded important portfolios such as environment, culture, and education in view of the enormous challenges we face in these areas.

In doing so, however, I am fully conscious of the fact that the national government is only a facilitator and coordinator for the states. As such, the national government can be expected to reach achieve sustainable economic growth only insofar as it is an effective coordinator and facilitator of state policies.

The Office of SBOC is working closely with the Office of Insular Affairs of the United States Department of Interior in monitoring and overseeing the implementation of federal programs as well as the sector grants under the amended compact.

While the tasks have not been easy, we are determined to do our part such as meeting stringent compact reporting requirements, but most importantly, we must assure the American tax payers that their hard earned monies are well spent and in good use.

The new Office of EEM is coordinating and working closely with FEMA for our public assistance programs and emergency needs. It is also working closely with the Department of Resources and Development and international agencies in addressing the critical issues of our fragile environment, including issues of sea level rise, shoreline destruction, water and sanitation, to name a few.

Complementing the works at the national level, I commend the efforts being done at the community level in addressing environmental issues. I encourage the good works that our citizens are doing, the involvement of the NGOs, as well as those efforts undertaken at the grass root level.

I am also pleased to note, Mr. Speaker that the new Office of National Archives, Culture, and Historic Preservation (NACH) is functioning well. As a matter of fact, that office is currently pursuing a major construction project that will bring all its programs and activities, including a proposed national museum and archives, under one roof.

You will recall in my inaugural address when I spoke of my belief that it is possible to continue striving for national development while preserving our national identity – our cultural values which have been the fabric of our social stability and harmony. History of government program and activities are recorded in documents and those very documents should be preserved in archives. It is for this reason that I have given culture and archives a cabinet level office in the face of growing concern of losing our character and identity as a people and as a nation. I now ask Congress to support the funding of the National Museum.

Mr. Speaker, under the amended compact, education and health are priority areas which are now commanding our attention after being re-organized into two separate departments. Needless to say, these are two important sectors where greater cooperation and coordination are needed the most by the states and national government, as they are shared areas of responsibility of our governments.

As critical sectors of the amended compact, both departments are working closely with the Office of SBOC and other relevant offices at the national, as well as their state counterparts, to ensure their timely and effective implementation. This also includes the other federal assistance programs through the Department of the Interior that have contributed immensely to our social development.

In addition to the challenges for Education, as stated in my inaugural address last year, I want to add another challenge to the Health Sector, and that is a proposed referral hospital for this nation. It will save both lives and financial resources and I therefore ask Congress to favorably consider its funding.

Related to the achievement of the re-organization and to the broader issue of compact implementation, is the infrastructure sector and its Program Management Unit (PMU) which is now relocated to the Office of the President.

After prolonged discussions and exchange of views on the best administrative arrangements for PMU, I am pleased to inform you that PMU is now up and running. In this regard, please allow me to reiterate my personal thanks to all the Governors for their support and cooperation, through the Chief Executive Conference resolutions, in moving this sector

forward. There is no doubt that we all want to see immediate implementation of the infrastructure projects, with the hope that we can begin to realize and enjoy their benefits. The infrastructure sector is one of the most important sectors as it stimulates and boosts socio-economic activities in the nation.

There is over \$100 million sitting idle for infrastructure projects. We must begin to accelerate the use of these grant funds in order to catch up with the proposed schedule of project implementation; for job opportunities and income to our citizens, and for the overall growth in our economy. It is up to each of the States to identify their own projects and I encourage them to accelerate their programs by establishing clear objectives and bench marks for expenditures.

So that there is no misunderstanding about this administration's overall infrastructure development policy, I wish to assure you, Mr. Speaker that the Department of TC&I remains the lead agency in developing policies and ensuring that all funded public projects are in compliance with the requirements of our national infrastructure development plan.

*Mr. Speaker, my fellow citizens and friends,*

Upon taking office a year ago, you will recall, we were faced with formidable challenges and looming financial crisis that threaten to break our spirit as a people and undermine our unity as a nation. I am of course referring to the financial situations in our sister States of Chuuk and Kosrae.

The reforms undertaken in both States have become one of the most difficult tasks for this administration. But thanks to all the support, understanding and cooperation of our collective leadership, I can say with some degree of comfort that we have made some significant progress thus far in both states.

Of particular significance is my deep respect and appreciation to the Municipal Governments in Kosrae for their sacrifices in giving up their share of funds to the State Government so that the reforms in Kosrae that they have devised for themselves can go quickly forward.

The national government and Chuuk State Leadership entered into a Memorandum of Understanding on July 19, 2007, detailing a financial and structural reform agenda for Chuuk State. Among other things, Chuuk State agreed to balance its budget, eliminating 400 positions from its payroll, restructure its executive and legislative branches, and undertake austerity measures to control its budget and reduce its debt obligations. Chuuk State should be complimented on the ongoing success of this program, however, I will continue to challenge the leadership to accelerate the pace of its efforts in order to be able to complete implementing these needed reforms this year.

In our efforts to implement reforms in Chuuk and Kosrae, I would like to acknowledge the generous support and assistance extended by our development partners and friends – United States, China, Australia, and Japan. Your support is very much appreciated, and I can assure you that it has contributed so much to the outcome of these reforms.

I take this opportunity also to acknowledge and to thank Pohnpei and Yap State Governments for their good work and fiscal discipline in managing their financial resources.

*Mr. Speaker,*

I have made mention of re-organization of the Executive Branch, reforms in Chuuk and Kosrae, as our joint achievements which have become our pre-occupations since assuming office. There are

of course other achievements, but in the interest of time, please allow me to briefly acknowledge some of them in no order of priority and importance.

### **Participation in Regional and International Forums**

Since taking office, I have continued the efforts of my predecessors in participating in regional and international forums that are critical and are of interest to the nation. This is especially true in areas of the environment and sustainable development where our participation has not only strengthened our diplomatic relations, but has afforded us the opportunity to contribute to the discussions of global and regional issues as well as to access the stream of technical assistance and financial resources available.

### **Corporate Registry and Captive Insurance Programs**

Mr. Speaker, I acknowledge the success of Corporate Registry Program in Japan, and to thank Congress for the passage of the Captive Insurance bill, another related program. I am pleased that we have received the first payment of our corporate registry program to which I thank our advisors and all those involved in the program.

### **The Submarine Fiber Optic Cable:**

This important telecommunications project continues to be a challenge in terms of securing funds needed to implement the domestic connection or the second phase of this project. From the very beginning of my term, I have devoted much effort in meetings and discussions with various offices and individuals who have the expertise we need to help implement this project.

From these consultations, I have organized and established a high level working group to continue exploring the ways and means that this country can utilize in making this project a reality. I will submit to Congress the group's report when it is finalized.

I now call on the Congress to support the Executive Branch efforts to develop this regional project with the governments of the Republic of Palau and the Republic of the Marshall Islands.

### **Manpower Development:**

In my inaugural statement, I alluded to the need to develop our human capital as it is the most important long-term investment for us to undertake. Providing good education and the necessary skills to our children will not only provide the manpower needs of both public and private sector of the Nation, but will make them competitively marketable anywhere they decide to live around the world. Their achievements will be our contribution to themselves and to mankind no matter how small or little they may be. In order to achieve this lifelong dream, we must address the need to improve the COM-FSM system with a balanced emphasis on both academic and vocational education.

It is timely that we consider together this idea of improving our vocational education programs at the college level. Without a doubt, we can become an active participant in the military build-up in Guam, if we provide the necessary vocational training programs to our students so that they can find employment opportunities. I now call on all our development partners, state and national leaders, private sector and NGOs to support the establishment of a vocational facility-preferably at the former PATS High School.

### **MiCare and Social Security**

I wish now to call your attention to the urgency in resolving the issues relating to the financial survivability of both MiCare and the FSM Social Security System. The challenge here involves the availability of adequate funding for these programs. MiCare is now operating with a deficit and the Social Security program obligations exceed the fund's ability to make future payments. I seek your cooperation and assistance to appropriate the funds needed to ensure the survival and continuity of these important programs. We owe this to our citizens who depend on this government to assist in providing affordable health care and a secured retirement.

**Energy Policy and Petro Corp.**

I would like to address now one of biggest challenges facing this country. The rising price of fossil fuel has literally supplicated all our efforts of moving our economy forward. The unprecedented increase in the price of fuel at the pump or in your electricity bill may be the most obvious for any person to notice. For a common household, these rapid and unrelenting increases in the price of fuel have deprived our citizens the basic necessities of life.

The Petro Corp is now organized, and I would like to thank all the Governors, especially Governor Ehsa and the Pohnpei Legislature for their bold decision to join the rest of the States in this important undertaking.

For the government, we are faced with the challenge of adjusting the wages and salaries of our employees. This, I believe should also be the same challenge for the businesses in the private sector. We can not continue to overlook this problem of rising fuel prices. The government has to increase the minimum wage or provide for a cost of living adjustment to take account for this disparity in income and the price of this basic commodity. I, for one, believe that salary adjustments are needed now to help ease the pain that our rank and file employees are feeling these days. I therefore ask for your support of the needed salary adjustment of our National Government employees.

It is my intention to establish quantifiable objectives to reduce our nation's dependency on fossil fuels. We must decrease our overall use of fossil fuels and sustain our needs by exploring alternate sources of clean energy. We should use our own renewable natural resources, including solar power, ocean thermo energy and power generation from waves and tides, bio-gas and hydro-electric power generation.

Mr. Speaker, energy is now the topic of much discussion in our Micronesian region. In the recent Micronesian Summit meeting in Palau, I affirmed our keen interest to host the new Secretariat of the new regional energy committee that will be mandated to address energy issues in our region. I ask Congress support to our effort.

**National Food Policy**

The high cost of fossil fuel and other factors have caused an increase cost of basic food stuffs upon which many of our citizens have become dependent. Families are now spending over 30% of their income merely to feed themselves and their children. These outrageous cost increases for basic and necessary food items will have a disastrous impact on the budget of all families and we must look for immediate long term solutions. One important first step that we can all implement is import substitution. I support policies which promote the use of healthy and affordable local food instead of imported rice, meats, and frozen or canned goods. Self sufficiency should be a goal of our national food policy. I ask all our development partners, private sectors and NGOs to work together with our people to address this urgent challenge.

**Coordination with the State Governments:**

Our constitution clearly established and delineated the jurisdictions relative to government's structure and functions. The National Government is the facilitator for economic growth and has primary responsibility in conducting of our foreign affairs. Clearly this is a straight forward restatement of the constitutional provisions regarding the sphere of responsibility for each level of government but it has become a challenge when the issue includes such delicate and sensitive issues as the regulation of foreign investment, tax regimes and financial reforms, and so forth.

Today I wish to repeat the request I made in my inaugural address to the State Governments to work with the National Government towards the improvement of our laws and rules regulating foreign investment. We must continue to work together and develop the most appropriate framework whereby proper controls are put in place ensuring equitable ownership and participation of our local entrepreneurs.

## **Tax Reform**

I renew my plea to the five governments to accelerate our Tax Reform efforts in accordance with the schedule of implementation as recommended by the Tax Reform Task Force in order to realize new sources of revenue for government operations.

Mr. Speaker, my fellow citizens and friends,

Looking back into the one-year span in office, my confidence in the vision that I referred to in my inaugural address and in the nation and our people remains strong.

I acknowledge these are challenging times - crises on the horizon - some are not of our own making, they are unforeseen, unexpected, and unavoidable. And yet they affect all of us, impacting everything we do.

But in the end, we shall prevail because of the strong resilience of our leaders and our people. We shall prevail because of our ability to achieve consensus at the end of the day. Indeed, it is the spirit of cooperation among the leadership as well as citizens of this nation that will take us forward.

It is unavoidable that there are, and there will be issues on which we will disagree. This is the nature of a healthy democratic system. Nevertheless, we can all approach the great work of the nation with pride in the accomplishments of those who have gone before, and with confidence in ourselves to carry out the great responsibility that we have assumed.

That pride and confidence will serve us, if they stand on an underlying faith in our Creator, as we humbly proceed to make the best of the paradise that has been granted by our Creator, to us, as stewards of His creation.

People from outside our islands may come to visit and enjoy, and we welcome them. Our donor partners may continue to provide critical development assistance and we are grateful. But the stewardship responsibility, now and for the generations to come, lies on our shoulders alone.

In this respect, Mr. Speaker, on the occasion of the first anniversary of our administration, I renew my appeal to all of us to join together this day, with renewed common cause and common purpose to work together one and all in the same spirit of unity that has inspired us all. If I had a single keynote to stress here today, it would be the crucial importance – indeed the necessity – that we bring a genuine working spirit of unity in the executive branch and the legislative branch, and with our private sector partners as well. Unity is a word that falls easily and often roll off our tongues, but we must live it, not just speak of it.

Let us make ourselves all that we can be, given that we live by God's grace, in the most wonderful corner of His creation.

God bless the Federation

Thank you.

Kulo Mulalap  
Kalahngan  
Kamagar  
Kinisou Chapur

---